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CORPORATION FILE

THE HANNA MINING COMPANY 1964

In October we moved our headquarters offices to 100 Erieview Plaza, on St Clair Avenue between East Ninth and East Twelfth streets in Cleveland from the Leader Building quarters we had occupied for more than 50 years

In the cover photograph, Erieview Plaza rises 38 stories above the lakefron of Cleveland, a leading port and iron ore center for more than a hundred years

FINANCIAL HIGHLIGHTS

	For the Year	
	1964	1963
Operating Income before Depreciation, Depletion, and Amortization	$ 14,945,337	$ 13,728,027
Dividend Income	$ 7,756,499	$ 8,153,622
Depreciation, Depletion, and Amortization	$ 5,480,715	$ 6,436,702
Net Income	$ 14,057,217	$ 12,352,545
Net Income Per Share*	$3.29	$2.89
Dividends Per Share*	$ .95	$ .70

	At the Year-End	
	1964	1963
Net Working Capital	$ 51,030,818	$ 39,136,728
Stockholders' Equity	$134,966,480	$124,881,849
Book Value Per Share*	$31.55	$29.21
Shares Outstanding*	4,278,145	4,275,345

*Adjusted for 3-for-1 stock split in May 1964

THE HANNA MINING COMPANY ANNUAL REPORT 100 ERIEVIEW PLAZA, CLEVELAND 14, OHIO

DIRECTORS

Herbert Hoover, Jr.
Gilbert W. Humphrey
George H. Love
Walter A. Marting
William H. Moore
N. W. Pearson
H. L. Pierce
Joseph H. Thompson
Richard W. Whitney

EXECUTIVE COMMITTEE

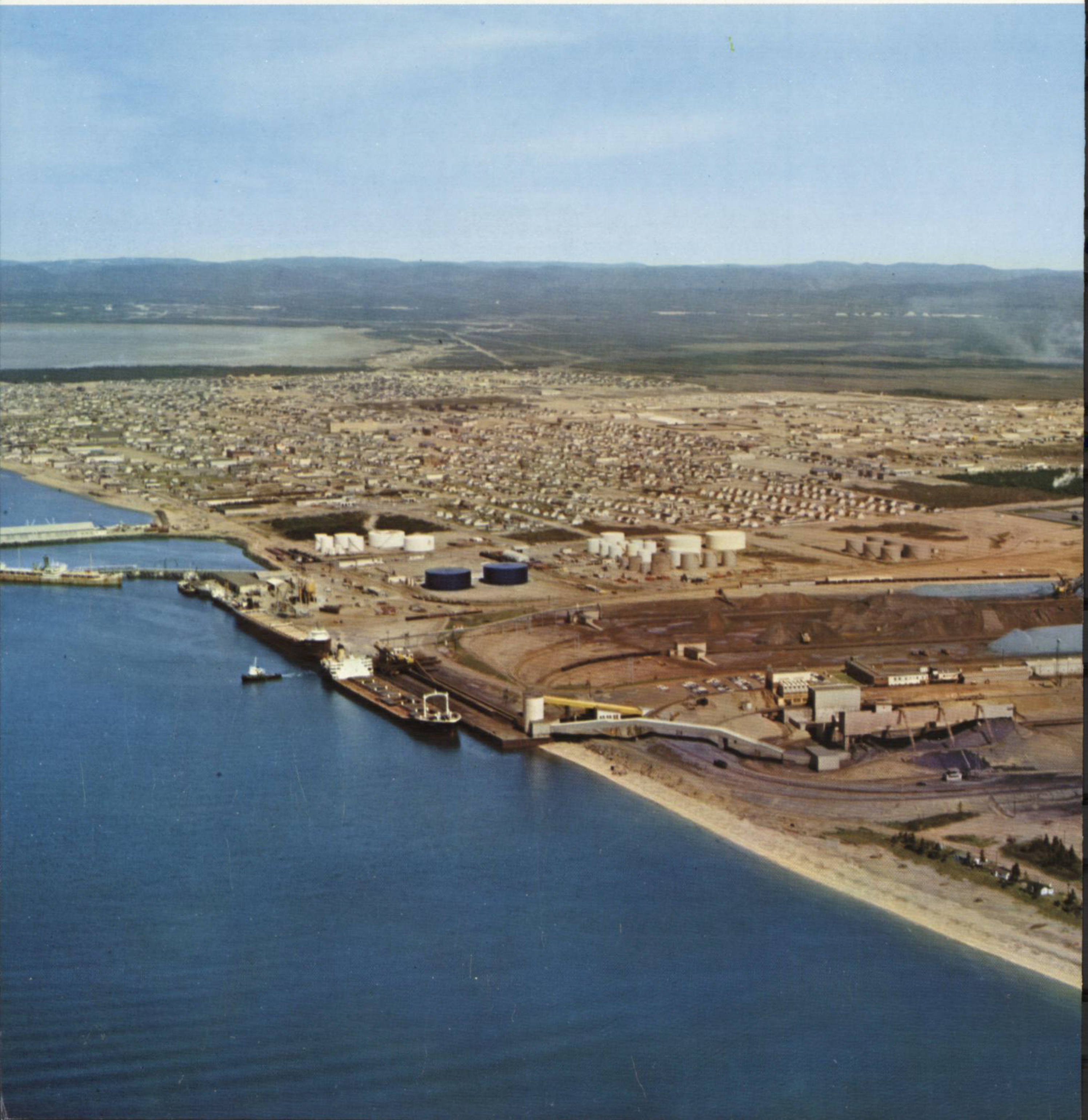
Gilbert W. Humphrey
George H. Love
Walter A. Marting
Joseph H. Thompson

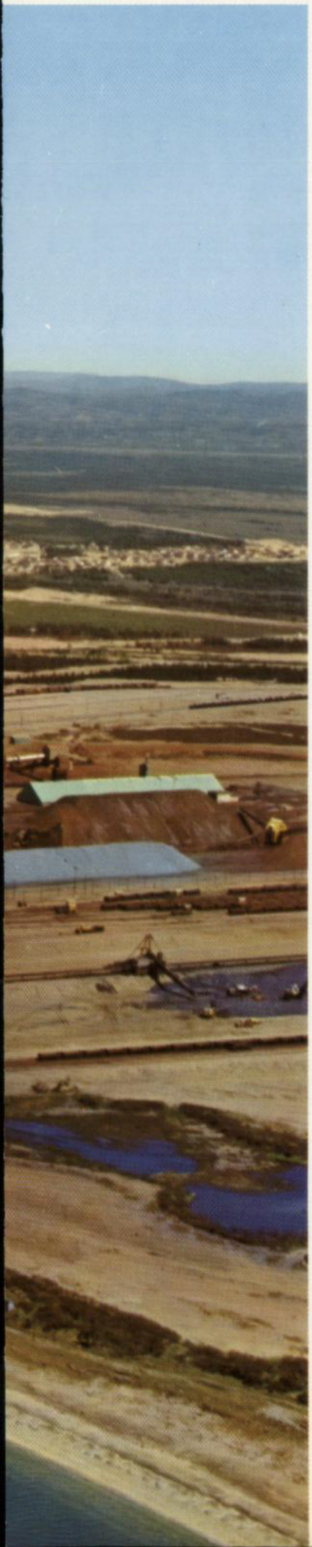
OFFICERS

Joseph H. Thompson, *Chairman of the Board*
Gilbert W. Humphrey, *Chairman of the Executive Committee*
Walter A. Marting, *President*
Robert J. Linney, *Executive Vice President*
Robert F. Anderson, *Vice President, Domestic Operations*
J. W. Buford, *Vice President, Foreign Operations*
James N. Purse, *Vice President, Sales*
D. N. Vedensky, *Vice President, Research*
Fred D. Vines, *Vice President, Engineering*
Lawrence W. Spang, *Secretary*
Russell E. Beal, *Treasurer*
L. H. Carlson, *Comptroller*

Registrar and Transfer Agent:
The National City Bank of Cleveland, Cleveland, Ohio

Sept Iles, once a small fishing village on the Gulf of St. Lawrence, today is one of the world's major iron ore ports.





To the Stockholders of The Hanna Mining Company

For the third successive year, net income of Hanna Mining reached a record high. In 1964 we earned $14,057,217, or $3.29 per share of common stock outstanding. This compares to 1963 earnings of $12,352,545, or $2.89 per share, adjusted to reflect a 3-for-1 stock split in the spring. In brief:

- We received a dividend of $4,179,867 from Iron Ore Company of Canada, the third dividend of this magnitude paid by the company in as many years.
- Expenditures for plant and equipment and for working assets in affiliated companies totaled $9,447,000 in 1964, as compared to $9,456,000 in 1963.
- Net working capital at the end of the year totaled $51,031,000, as compared to $39,136,000 at the end of 1963.
- Maximum depreciation, depletion and amortization, in accordance with U.S. Treasury guidelines, totaled $5,481,000, as compared to $6,437,000 in 1963.
- We received a $5,045,000 principal payment on our holding of I.O.C. debentures, reducing our investment in these securities to $12,027,000.

In May the directors authorized a 3-for-1 stock split, bringing to 4,278,145 the number of shares outstanding at year end. The directors also declared their intention of paying dividends at an annual rate of $1.00 per share on the new shares. Dividends totaling 95 cents per share were paid in 1964, as compared to a total of 70 cents per share on an equivalent basis in 1963.

The domestic steel industry produced a record 127 million tons of steel during the year, as compared to the previous record of 117 million tons produced in 1955. However, in terms of iron ore consumption, 1964 was only the fourth best year in history, which serves as an excellent illustration of the degree to which higher grade blast furnace feeds—principally iron ore pellets—have penetrated the market.

Included among the high grade iron ore pellets produced last year were more than 7 million tons from the three pellet plants we manage for ourselves and for the account of others. Operating at capacity levels, or very nearly so, were our Groveland plant in Michigan, the Carol Pellet Company plant in Labrador, owned by the ore-purchasing partners of I.O.C., and the Moose Mountain plant in Ontario, which we operate for a subsidiary of National Steel Corporation.

Demand remained high for our nickel, which is used widely in the steel industry. The smelter in Oregon produced a record amount and additions were made to the plant to increase its capacity.

The most important developments in 1964 for the future of the company were the decisions to proceed with the construction of three new beneficiating-pelletizing plants having a combined capacity of more than 5 million tons of high grade iron ore pellets a year. We have an ownership position in each of these plants and our share of the production—about 1.5 million tons—will bring to 3.6 million tons the pellets produced annually for our account.

By mid-1967, when all of the three new plants are scheduled to be in production, we will be operating pellet plants in Minnesota, Michigan, Missouri, Ontario and Labrador, with a combined annual capacity approximating 13 million tons. This will place Hanna Mining among the world's foremost producers of this highly-desirable blast furnace raw material.

Iron Ore-United States

Hanna Mining Iron Ore Sales For Its Own Account—tons

	1964	1963	1962	1961
Company Production	3,694,311	3,614,098	2,250,203	2,695,640
Purchased from Affiliates	1,242,374	1,701,099	1,778,748	1,614,775
Total	4,936,685	5,315,197	4,028,951	4,310,415

Our company production tonnage in 1964 reflects an increase in pellet production which was partially offset by a decline in the demand for natural ores.

The Groveland plant produced 1,475,000 tons of pellets during 1964, thus reaching design capacity in its first full year of operation. In 1963 it produced 808,000 tons. The mine, concentrator and pelletizing plant were operated with a minimum of difficulty throughout 1964 and the bulk of our attention is now focused on making technological improvements aimed at cost reduction.

In September plans were announced for a joint development with Granite City Steel Company of an iron ore mine and pellet plant near Pilot Knob in southeast Missouri. The project, known as the Pilot Knob Pellet Company, is scheduled for completion by mid-1967 and will produce 750,000 tons of pellets a year, all of which will be shipped to the Granite City Steel plant near St. Louis. Cost of the development will approximate $25 million, including an underground mine, a beneficiating-pelletizing plant and auxiliary facilities. Arrangements have been made for Pilot Knob Pellet Company to borrow a major portion of the funds required. Pilot Knob pellets will supplant production from our nearby Iron Mountain Mine, which is nearly mined out. This property has been supplying ore to Granite City for many years, recently about 240,000 tons annually.

In November we announced our intention to proceed with the Butler taconite project, a 2-million-ton-per-year facility to be owned by Inland Steel Company, Wheeling Steel Corporation and Hanna Mining, our interest being 37½ percent. We will operate the project, which will cost more than $50 million and is due for completion late in 1966. Preliminary work has already begun at the site, near the village of Cooley on the Mesabi Range, and construction will be started this spring. A major portion of Hanna Mining's share of the capital cost is to be borrowed against the project.

In December plans were revealed for a second taconite plant on the Mesabi Range near Keewatin. This mining, concentrating and pelletizing project, with an annual capacity of 2.4 million tons, is scheduled for completion early in 1967. National Steel Corporation will own 85 percent of this project, while Hanna Mining will own the balance and will manage the operation. Construction will commence in the spring.

In their basic elements, the three new plants are similar. However, differences in the ore bodies will require variations in the flowsheets and in the equipment employed. The new Minnesota plants will process essentially the same type of magnetic taconite. At Pilot Knob the iron formation is an underground layered concentration of magnetite in a sequence of volcanic rock.

The product of all three plants will be pellets containing more than 65 percent iron, with silica content ranging from 3 to 6 percent, iron-to-silica ratios that rank with the best in the world.

The decisions to build the two Minnesota plants followed overwhelming voter approval in November of the Taconite Fair Tax Amendment to the Minnesota Constitution, bringing firm assurances of equitable taxation for the taconite industry in that state. As a company long identified with the area, we are pleased to take part in the rebuilding of a major segment of the Minnesota economy, with long term benefits for all concerned.

Iron Ore-Canada

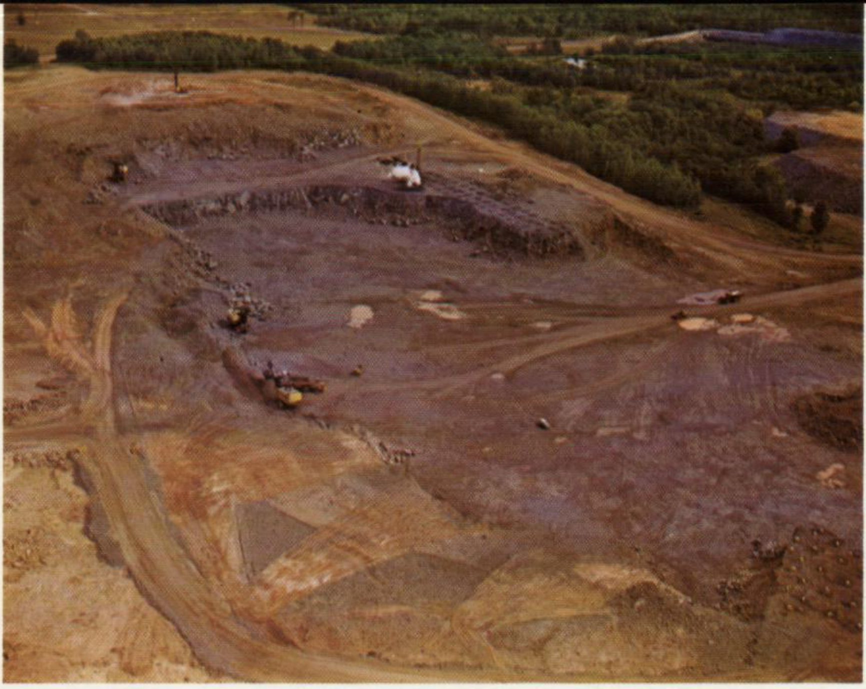
Hanna Mining Iron Ore Sales For Its Own Account—tons

	1964	1963	1962	1961
Purchased from Iron Ore Company of Canada and Carol Pellet Company	2,786,275	2,068,229	2,146,439	1,800,000

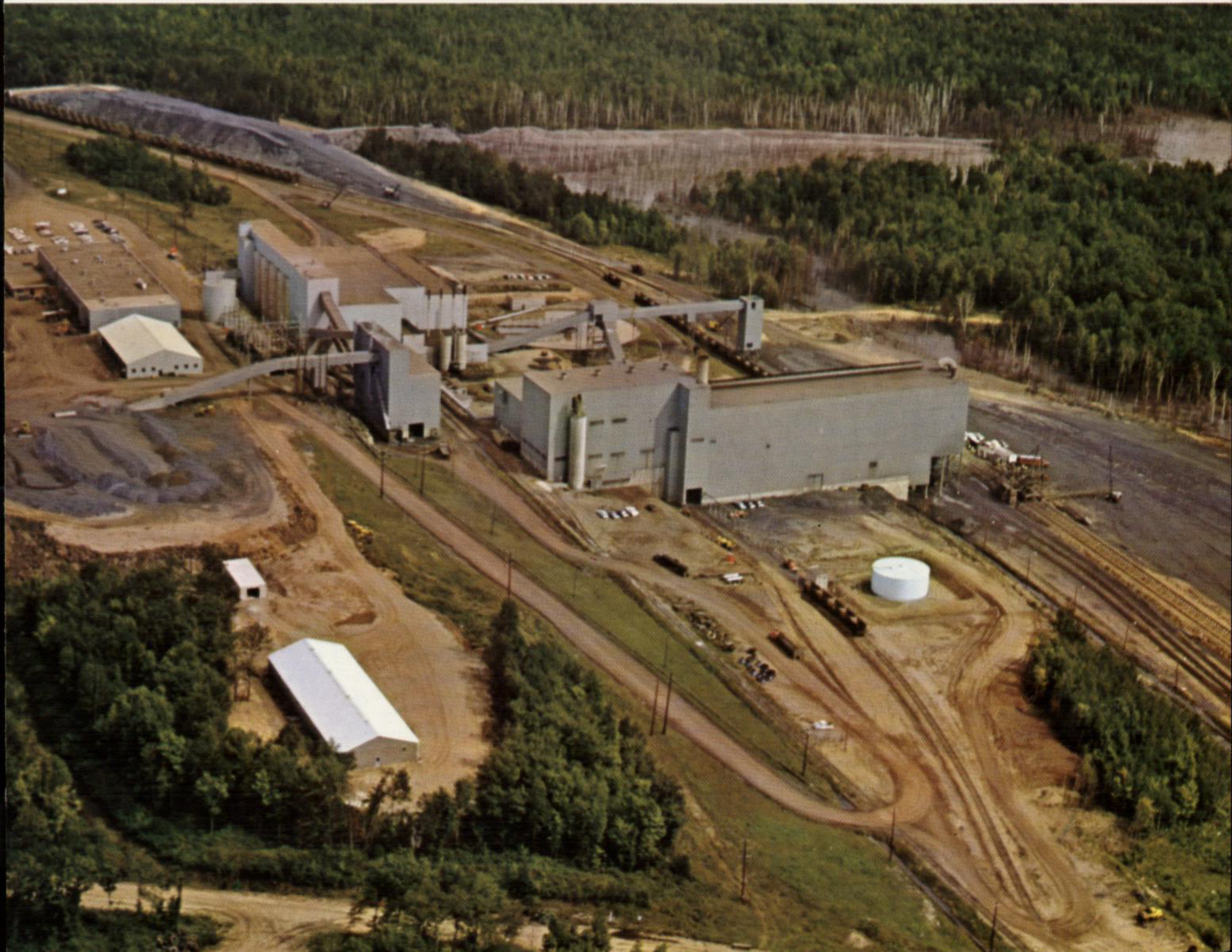
Shipments by Iron Ore Company of Canada in 1964 totaled 14.1 million tons, an all-time record, of which 7.7 million tons were direct shipping ore from the Schefferville area. The Carol Lake project produced 6.4 million tons of iron ore concentrates, of which 5,033,000 tons were pelletized by the Carol Pellet Company.

After experiencing the customary start-up problems at the concentrator and the pellet plant, design capacity was reached late in the summer. For the year as a whole, production exceeded 90 percent of capacity, with the quality of the product consistently meeting the high standards that had been set. The latest technologies have been incorporated in the entire Carol Lake project and continuing improvements are being made.

In its first ten years of operation, Iron Ore Company of Canada has become one of the world's major sources of iron ore. In July, on the 10th anniversary of the first shipment of iron ore, the 100 millionth ton was shipped from the docks at Sept Iles. In 1964 I.O.C. alone accounted for 12 percent of all North American iron ore production, and of the 60 nations



The Groveland mine, concentrator and pelletizing plant, on Michigan's Upper Peninsula, operated at capacity in 1964. In the above photograph of the mine, the blast holes are loaded and ready to blast loose about 100,000 tons of crude ore. In the adjacent concentrator, the ore is crushed and finely ground so the iron particles can be separated from the rock.



High grade iron ore pellets, shown here on a conveyor in the Groveland plant, are the most desirable form of blast furnace feed.

around the globe that mine iron ore, only about 10 produce more in a year than I.O.C.

The company's impact on the economy of Canada has been considerable. Prior to the start of construction in 1949, the fishing village of Sept Iles was inhabited by about 20 families; today it is a city of 20,000. To the north, where no humans had ever permanently resided, the city of Schefferville has a population of 3500 and Labrador City, with 5000 residents, is the fifth largest city in Labrador. Wages and salaries paid since the company was incorporated in 1949 have amounted to $300 million, of which $250 million has been paid since 1954. Purchases of goods and services since 1949 have exceeded $650 million.

Of the first decade's production, more than 80 million tons went to U. S. steelmakers. Most of this tonnage moved through the St. Lawrence Seaway to steel furnaces located in states bordering on the Great Lakes. Thus, the domestic economy and the nation's security have benefited from this development of a major source of a vital raw material, which can be moved in massive tonnages through protected waterways to the heart of the U. S. industrial productive capacity.

During the year Joseph H. Thompson became chairman of the board of I.O.C. and was succeeded as president by Walter A. Marting. At the beginning of 1965 Hanna Mining assumed primary responsibility for the managment of the company.

I.O.C. is an outstanding example of Canadian-American cooperation, with owners from both nations represented on the board. As a 27.7 percent owner of I.O.C., we continue to be the largest single stockholder. This is one of our most important assets and we expect to derive benefits from it for many years to come.

Iron Ore-Overseas

Brazil – The mining facilities near Belo Horizonte exported nearly 409,000 tons of ore, primarily to the United States. These facilities are owned by Companhia de Mineracao Novalimense, a Brazilian subsidiary of St. John d'el Rey Mining Company, in which we and our associates have controlling interest. Operations continue to be handicapped by problems of railway transport and inadequate shiploading facilities in the Port of Rio.

Administrative actions instituted against Novalimense and affiliated companies by previous administrations, involving cancellation of concessions, have been satisfactorily resolved by the new government, which took office in April 1964. Several remaining administrative actions of a routine nature are now in the process of being cleared. One major legal action remains and it is hoped that early action by the Supreme Court of Brazil will result in a favorable decision.

The attitude of the new administration indicates a desire to provide equal opportunity for private mining companies and the government owned mining company to increase Brazil's iron ore exports. A government decree on iron ore, published in December, affirms private investments in mining activities and establishes the framework under which port facilities can be constructed and exports increased.

Accordingly, we are carrying on discussions with the government and are making preliminary arrangements to bring in Brazilian partners. We are making comprehensive studies of production and transportation costs and financing and are in the process of determining whether or not sales volume can be generated at a level to support an expanded mining program.

Studies of the bauxite property, held jointly for several years with Aluminum Company of America in the State of Minas Gerais, have now progressed to the stage of intensive examination of the economic and financing possibilities for an integrated aluminum industry for the Brazilian markets.

Australia—Construction of mining and terminal facilities and acquistion of rail transportation equipment is well under way at the Koolanooka Mine and the Port of Geraldton in Western Australia. Western Mining Company, a leading Australian mining company owning 50 percent of the venture, is managing the project. Hanna Mining and Homestake Mining Company of San Francisco own equally the remaining 50 percent.

A sales contract was signed with a group of Japanese steel companies calling for delivery of 5.1 million tons of iron ore over an eight-year period, beginning early in 1966. Provision for expansion of this tonnage was included in the agreement, a possibility that is now being investigated.

Nickel Operations

The mine and smelter at Riddle, Oregon, produced 22,473,000 pounds of nickel in 1964, a production record which reflects the initial benefits from an expansion program completed late in the year. The expansion involved the installation of an additional rotary ore dryer, two multiple hearth ore roasters and changes in the electric melting furnaces to increase their capacity. The plant's capacity has been increased by about 20 percent.

Free world consumption of nickel during 1964 is estimated at 640 million pounds, a 20 percent increase over 1963. Of this the U. S. consumed about 300 million pounds, more than twice the amount used by the second largest consuming area, the European Common Market. Demand for nickel continues to grow as the production of stainless and other alloy steels continues to increase and if domestic steel production is maintained at reasonably high levels throughout 1965 we expect to continue operating our plant at capacity. Our product, which is a ferro-nickel containing about 48 percent nickel, is used by most major domestic steel producers.

In October the first hearings were conducted in Federal District Court in Oregon on the legal action brought by the government, which challenges the accounting principles involved in the contracts under which we supplied nickel to government stockpiles several years ago. We are vigorously defending our accounting procedures and expect an early decision from these first hearings.

Marine Operations

Our dock and vessel operations, largely concentrated on the Great Lakes, have been encumbered for several years with rising costs, without corresponding revenue increases. Only through the most stringent control of all aspects of these operations have they continued on a profitable basis.

In 1964 Hanna-operated vessels on the Great Lakes carried nearly 5 million tons of iron ore, as compared to nearly 5.3 million tons in 1963, and 179,000 tons of coal, as compared to 253,000 tons the year before.

The Canadian flag vessels we operate in the Great Lakes-Seaway trade moved 1,105,000 tons of ore and 25.7 million bushels of grain in 1964. This compares to 1.2 million tons of ore and 15.8 million bushels of grain in 1963.

The unloading docks we operate in Cleveland, Ashtabula and Philadelphia handled 11 million tons of ore in 1964, virtually the same tonnage as in 1963. The coal loading docks in Sandusky and Ashtabula handled 6.5 million tons in 1964, as compared to 7.4 million tons in 1963.

During the year we acquired two small ocean-going bulk carriers primarily to give greater flexibility to our saltwater shipping activities.

Exploration and Research

The rapid emergence of highly sophisticated technologies in the iron ore industry has added new dimensions to the work of our geologists and metallurgists.

While for many years our exploration and research activities have been closely coordinated, today, as never before, geology and metallurgy are combined

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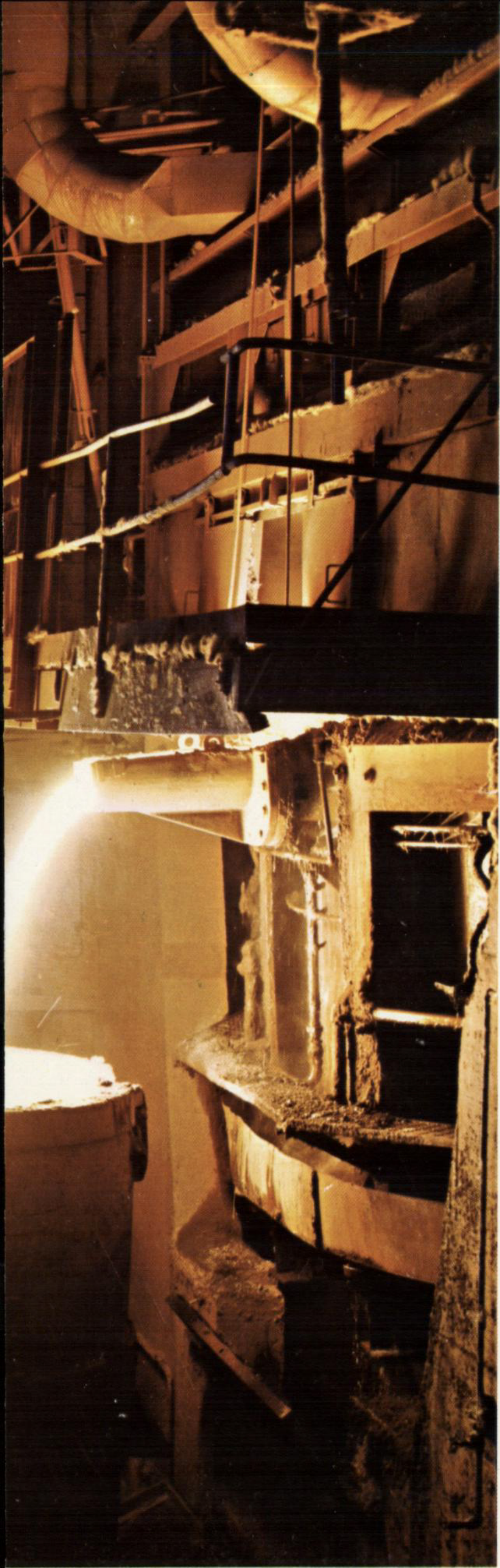

nna nickel, produced at the smelter in Oregon, used widely in stainless and other alloy steels.

to bring to our mining and beneficiation plant operations the highest peak of efficiency.

Long before the construction of a new concentrating-pelletizing plant can be seriously considered, teams of geologists and metallurgists painstakingly explore and evaluate the ore body. They establish the extent and the character of the ore reserves, how the concentrating plant should be designed to process the ore to greatest advantage and help determine how the ore can be mined with greatest efficiency.

The bulk of our geological and metallurgical work in 1964 centered on the properties where the three new concentrating-pelletizing plants are to be built.

Continued development drilling confirmed the existence of extensive reserves of magnetic taconite on the west end of the Mesabi Range on properties held by ourselves and our affiliates. Already proved are reserves that will support capacity operation of both new plants for many years to come.

Taconite research, aimed at producing a high quality product at lower cost, continued in our Hibbing laboratory. Intensive studies of ore grinding methods were conducted with small continuous equipment in the laboratory. When this was completed a larger pilot plant was installed, incorporating all the steps of a commercial plant, and the small scale results were confirmed.

This led to the decision to install large Aerofall grinding mills, 26 feet in diameter, in the Butler taconite plant. In these mills, taconite from the primary crusher is basically ground against itself to the fineness required for concentrating. These mills take the place of two intermediate crushing operations and two conventional grinding operations.

Our geological staff carried on its continuing examination of base metals deposits in the western United States and Canada.

Exploration for base metals in Labrador and New Quebec continued in 1964 at the Prud'homme prospect west of Ford Chimo and northwest of Gerido Lake. Some additional copper-zinc sulphide mineralization was proved, but further drilling of the property is necessary to determine whether or not it will support a commercial operation.

For many years we, along with most other companies connected with the steel industry, have been interested in the direct reduction of iron ore to metallic iron. This interest was stimulated in 1964 as a result of experimental blast furnace studies conducted in Pennsylvania by the U. S. Bureau of Mines in conjunction with several domestic steel companies. This work clearly established the greatly improved performance and productivity that can be obtained by the use of pellets in which more than 50 percent of the iron occurs in metallic form.

As a consequence, we recently entered into an agreement with National Steel and the Surface Combustion Division of Midland-Ross Corporation to build a pilot plant to work on a new process for the production of partially and highly-reduced pellets. The new process efficiently utilizes high-intensity heat to achieve rapid reduction of the pellets, with coal serving as the reducing agent.

Early this year, after 45 years in the iron mining industry, Richard W. Whitney, upon reaching retirement age, stepped down as executive vice president and was succeeded by Robert J. Linney, vice president, operations.

Mr. Whitney, who joined Hanna in 1945 after 25 years with Butler Brothers, will continue on the Hanna Mining board of directors and will serve in an advisory capacity, carrying out special assignments. He is highly regarded throughout the industry and is recognized as a pioneer in the adoption of new mining methods and equipment. His value to Hanna over the years has been immeasurable and we are pleased that we will continue to receive the benefit of his experience and judgment.

Mr. Linney, who came to Hanna early in 1964, is an internationally known authority in the field of iron ore beneficiation and pelletizing. During the past year he has made many valuable contributions to this segment of our business, which is assuming ever growing importance. We feel particularly fortunate in having Mr. Linney as a key member of our management organization.

In June, James N. Purse, formerly manager of ore sales, was elected vice president, sales. Mr. Purse joined Hanna in 1955, served in London for six years as Hanna foreign sales representative, and became manager of ore sales in 1963.

It is difficult to exaggerate the impact of iron ore pellets upon both the iron ore and the steel industries. The growth of pellet production over the past decade has been nothing short of phenomenal, for pellets bring important savings to the steel industry by improving blast furnace performance and productivity.

In 1954 pellet production totaled only a few thousand tons. Last year nearly 37 million tons were produced and by mid-1967 there will be pellet capacity on the North American continent capable of producing more than 60 million tons a year.

With capital costs for such facilities ranging from \$25 to \$35 per ton of annual capacity, this will represent investments by the industry of approximately \$1.8 billion, an amount greater than that invested in iron ore mining in the industry's entire history, up to the mid-point of the 20th Century.

For Hanna Mining the decisions in 1964 to proceed with the construction of three new pellet plants were major steps forward. Hanna's share of these projects is nearly \$45 million, the largest capital expenditure program the company has ever undertaken. This further illustrates the great changes brought to our industry by technological advances, with substantial capital investments required if we are to remain competitive and to expand.

Since there has been no increase in the price of ore since the late 1950's, we still have cost-price relationship problems and continue to devote major attention to the reduction of costs, both capital and operating.

We feel The Hanna Mining Company is in a strong position to meet the new problems and opportunities ahead. Our properties are in good condition, our financial position is strong, and our working capital is at an all-time high, in anticipation of the capital expenditures for which we are committed.

Completion of the three new pellet plants will bring new growth to Hanna Mining and increase our earning capacity. We look with confidence to the future of the iron ore industry and our position in it.

We express our deep appreciation for the outstanding work of the people of the Hanna organization, for to them belongs the credit for the achievements of the past.

By order of the Board of Directors,

JOSEPH H. THOMPSON
Chairman

WALTER A. MARTING
President

Cleveland, Ohio, March 29, 1965

CONSOLIDATED INCOME

	YEAR ENDED DECEMBER 31	
	1964	1963
Operating income before depreciation, depletion, and amortization	$14,945,337	$13,728,027
Dividend income:		
Iron Ore Company of Canada	4,179,867	4,179,867
Other	3,576,632	3,973,755
Interest income—net	1,600,158	1,192,840
Sundry income—net	222,044	81,363
	$24,524,038	$23,155,852
Depreciation, depletion, and amortization	5,480,715	6,436,702
INCOME BEFORE TAXES ON INCOME	$19,043,323	$16,719,150
Taxes on income—estimated:		
United States	$ 4,575,000	$ 4,006,385
Canadian and state	411,106	360,220
	$ 4,986,106	$ 4,366,605
NET INCOME	$14,057,217	$12,352,545

STOCKHOLDERS' EQUITY

	Common Stock	Capital Surplus	Earnings Used in the Business	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 1964	$1,430,165	$22,868,687	$100,995,640	$(412,643)	$124,881,849
Net income for the year			14,057,217		14,057,217
Cash dividends — $.95 a share			(4,063,028)		(4,063,028)
Aggregate par value of 2,860,330 shares issued as 3-for-1 stock split	2,860,330	(2,860,330)			
Proceeds from 2,800 shares sold under stock option plan	2,800	87,642			90,442
Balance at December 31, 1964	$4,293,295	$20,095,999	$110,989,829	$(412,643)	$134,966,480

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31	
	1964	1963
Current Assets		
Cash	$ 2,666,885	$ 2,424,127
U. S. Government and other short-term securities—at cost	37,925,117	32,847,483
Trade and sundry receivables	18,679,005	14,825,118
Inventories — at lower of average cost or market:		
Iron Ore	$ 2,871,728	$ 4,093,432
Nickel	629,598	713,677
Supplies	2,656,574	2,536,545
	$ 6,157,900	$ 7,343,654
Total Current Assets	$ 65,428,907	$ 57,440,382
Property, Plant and Equipment		
Mineral lands, oil leases, plants, vessels, and equipment—at cost	$ 68,608,213	$ 61,295,235
Less allowances for depreciation, depletion, and amortization	39,560,978	34,319,414
	$ 29,047,235	$ 26,975,821
Other Assets		
Working Assets — Interests in associated companies:		
Iron Ore Company of Canada — at cost	$ 35,302,816	$ 40,347,815
Others — at cost or less	16,966,768	15,318,030
Interests in other companies — at cost or less	4,820,873	4,820,873
Management contracts, advance royalties, and sundry items	4,027,652	3,222,124
	$ 61,118,109	$ 63,708,842
	$155,594,251	$148,125,045

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31	
	1964	1963
Current Liabilities		
Trade and sundry payables	$ 8,348,648	$ 11,231,774
Accrued expenses	6,049,441	7,071,880
U. S. taxes on income – estimated	2,175,958	5,030,924
U. S. Government securities	(2,175,958)	(5,030,924)
Total Current Liabilities	$ 14,398,089	$ 18,303,654
Reserves		
General contingencies	$ 5,110,162	$ 3,914,813
Other	1,119,520	1,024,729
	$ 6,229,682	$ 4,939,542
Stockholders' Equity		
Common Stock, par value $1 a share:		
Authorized 4,500,000 shares in 1964 and 1,500,000 shares in 1963 *(at December 31, 1964, 147,200 shares were reserved for employee stock options, including outstanding options for 61,250 shares granted in 1962 at 95% of market and 6,000 shares granted in 1964 at market)*		
Issued 4,293,295 shares in 1964 and 1,430,165 shares in 1963	$ 4,293,295	$ 1,430,165
Capital surplus	20,095,999	22,868,687
Earnings used in the business	110,989,829	100,995,640
Cost of 15,150 common shares held in treasury	(412,643)	(412,643)
	$134,966,480	$124,881,849
	$155,594,251	$148,125,045

Source and Application of Funds

	1964	1963
Funds Provided		
Net income for the year	$14,057,000	$12,353,000
Depreciation, depletion, and amortization	5,481,000	6,437,000
	$19,538,000	$18,790,000
I.O.C. Debentures redeemed	5,045,000	– 0 –
Increase in reserves	1,291,000	1,805,000
Other	337,000	2,392,000
	$26,211,000	$22,987,000
Funds Applied		
Expenditures for plant and equipment	$ 7,754,000	$ 4,619,000
Working Assets – Interest in associated companies	1,693,000	4,837,000
Dividends to stockholders	4,063,000	2,993,000
Other	806,000	– 0 –
	$14,316,000	$12,449,000
Net increase in working capital	$11,895,000	$10,538,000
Working capital at beginning of year	39,136,000	28,598,000
Working capital at end of year	$51,031,000	$39,136,000

Accountants' Report

Board of Directors
The Hanna Mining Company
Cleveland, Ohio

We have examined the consolidated financial statements of The Hanna Mining Company and its consolidated subsidiaries for the year ended December 31, 1964. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated income and stockholders' equity present fairly the consolidated financial position of The Hanna Mining Company and its consolidated subsidiaries at December 31, 1964, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cleveland, Ohio
March 12, 1965

Ernst & Ernst

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INCOME

Operating Income before Depreciation, Depletion, and Amortization . . . .

Other Income . . . . . .

Depreciation, Depletion, and Amortization . . . . .

Income Before Taxes on Income

Taxes on Income . . . .

Net Income . . . . . .

Net Income Per Share (A)

Cash Dividends . . . . .

Dividends Per Share (A) .

BALANCE SHEET

Working Capital . . . . .

Property, Plant, and Equipmen

Other Assets . . . . . .

Total Invested Capital . . .

Less Reserves . . . . .

Total Stockholders' Equity .

Shares Outstanding (A) . .

Book Value per share (A) . .

(A) Adjusted for 3-for-1 stock split in May, 1964.

NING COMPANY

PERATING AND FINANCIAL COMPARISON

1964	1963	1962	1961	1960	1959	1958
4,945,000	$ 13,728,000	$ 11,087,000	$ 12,656,000	$13,304,000	$ 9,641,000	$12,008,000
9,579,000	9,428,000	8,721,000	5,339,000	5,168,000	3,957,000	2,363,000
4,524,000	$ 23,156,000	$ 19,808,000	$ 17,995,000	$18,472,000	$13,598,000	$14,371,000
5,481,000	6,437,000	4,200,000	3,216,000	3,624,000	2,726,000	1,027,000
9,043,000	$ 16,719,000	$ 15,608,000	$ 14,779,000	$14,848,000	$10,872,000	$13,344,000
4,986,000	4,366,000	4,501,000	4,911,000	4,741,000	3,120,000	5,254,000
4,057,000	$ 12,353,000	$ 11,107,000	$ 9,868,000	$10,107,000	$ 7,752,000	$ 8,090,000
3.29	$ 2.89	$ 2.60	$ 2.30	$ 2.36	$ 1.81	$ 1.89
4,063,000	$ 2,993,000	$ 2,856,000	$ 2,288,000	$ 2,288,000	$ 2,288,000	$ 1,690,000
.95	$ .70	$ .67	$ .53	$ .53	$ .53	$ .47
1,031,000	$ 39,136,000	$ 28,598,000	$ 35,431,000	$24,653,000	$13,653,000	$11,212,000
9,047,000	26,976,000	29,048,000	18,507,000	17,362,000	22,084,000	21,324,000
1,118,000	63,709,000	60,502,000	54,411,000	56,799,000	55,098,000	52,887,000
41,196,000	$129,821,000	$118,148,000	$108,349,000	$98,814,000	$90,835,000	$85,423,000
6,230,000	4,939,000	3,039,000	2,551,000	2,508,000	2,348,000	2,400,000
4,966,000	$124,882,000	$115,109,000	$105,798,000	$96,306,000	$88,487,000	$83,023,000
4,278,145	4,275,345	4,275,345	4,290,495	4,290,495	4,290,495	4,290,495
31.55	$ 29.21	$ 26.92	$ 24.66	$ 22.45	$ 20.62	$ 19.35

IRON ORE UNITED STATES

Wholly Owned Properties

Groveland Mine	Open pit mine, concentrator and pellet plant; Michigan
Wauseca Mine	Underground mine; Michigan
Douglas Mine	Open pit mine; Minnesota
Algoma Mine	Open pit mine; Minnesota
Spring Valley Group	Open pit mines; Minnesota
Iron Mountain Mine	Underground mine; Missouri

Affiliates and Partially Owned Properties

Butler Brothers	Open pit mines; Minnesota
Butler Taconite Project	Open pit mine, concentrator, pellet plant under construction; Minnesota
Hanna Ore Mining Company	Open pit mines; Minnesota
Morton Ore Company	Open pit mine; Minnesota
National Steel Pellet Project	Open pit mine, concentrator, pellet plant to be constructed; Minnesota
Pilot Knob Pellet Company	Underground mine, concentrator, pellet plant under construction; Missouri

Managing Agents

Iron ore mines and properties of National Steel Corporation	Open pit mines; Minnesota. Underground mines; Michigan
Ore Sales Division	Cleveland, Ohio

IRON ORE CANADA

Affiliates and Partially Owned Companies

Iron Ore Company of Canada	Open pit mines at Schefferville, open pit mine and concentrator at Carol Lake, Quebec North Shore & Labrador Railroad, loading terminal at Sept Iles; Quebec and Labrador
Carol Pellet Company	Pellet plant at Carol Lake
Hollinger North Shore Exploration Company, Limited	Quebec concessions
Labrador Mining and Exploration Company, Limited	Labrador concessions

Managing Agents

Lowphos Ore Company, Limited – subsidiary of National Steel Corporation	Mine, concentrator and pellet plant; Ontario

IRON ORE OVERSEAS

Affiliates and Partially Owned Properties

St. John d'el Rey Mining Company, Limited	Open pit mines and properties; Brazil
Geraldton Joint Venture	Open pit mines; Western Australia
Ore Sales Agent	London, England; Brussels, Belgium

DOCKS AND VESSELS

Domestic

Operators of ore unloading and coal loading docks	Cleveland, Ashtabula, Sandusky, Philadelphia, Pa.
Two wholly owned and one partially owned lake vessels	
Operators of lake vessels owned by National Steel Corporation	

Seaway

Partial ownership in three vessels operating in St. Lawrence Seaway

Ocean

Two wholly owned and two partially owned bulk cargo vessels	
Chartering and shipping agency	New York, New York
Partially owned ore and coal unloading dock	Rotterdam, Holland

NICKEL OPERATIONS

Wholly Owned Properties

Nickel Mountain Mine Hanna Smelter	Open pit mine and nickel smelter; Riddle, Oregon